

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 16-11700-smb

4 - - - - - x

5 In the Matter of:

6

7 GAWKER MEDIA, LLC,

8

9 Debtor.

10 - - - - - x

11

12 United States Bankruptcy Court

13 One Bowling Green

14 New York, NY 10004

15

16 July 25, 2017

17 10:10 AM

18

19

20

21 B E F O R E :

22 HON STUART M. BERNSTEIN

23 U.S. BANKRUPTCY JUDGE

24

25 ECRO: K. SU

1 HEARING re Status Conference Pursuant to Local Rule 9076-  
2 1(b).

3  
4 HEARING re Second Interim and Final Application of Levine  
5 Sullivan Koch & Schulz LLP as Special Litigation Counsel for  
6 the Debtors and Debtors in Possession for Allowance of  
7 Compensation and for the Reimbursement of Expenses for the  
8 Period from June 10, 2016 Through March 17, 2017 for Levine  
9 Sullivan Koch & Schulz LLP, Special Litigation Counsel,  
10 period: 6/10/2016 to 3/17/2017, fee: \$432,150.18, expenses:  
11 \$22,888.54.

12  
13 HEARING re Case Conference.  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

25 Transcribed by: Sonya Ledanski Hyde

1 A P P E A R A N C E S :

2

3 ROPES & GRAY LLP

4 Attorneys for the Debtor

5 1211 Avenue of the Americas

6 New York, NY 10036

7

8 BY: GREGG M. GALARDI

9

10 COHEN & GRESSER LLP

11 Attorney for Terry Bollea

12 800 Third Avenue

13 New York, NY 10022

14

15 BY: DANIEL H. TABAK

16

17 RANDAZZA LEGAL GROUP

18 Attorneys for Charles Johnson and Got News

19 100 Pearl Street, 14th Floor

20 Hartford, CT 06103

21

22 BY: JAY MARSHALL WOLMAN

23

24

25

1 ALSO PRESENT TELEPHONICALLY:

2

3 SETH BERLIN

4 ALEX MCGEE

5 JAY SAKALO

6 ROBERT A. WEBER

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 P R O C E E D I N G S

2 THE COURT: Please be seated.

3 CLERK: Gawker.

4 MR. GALARDI: Good morning, Your Honor.

5 THE COURT: Good morning.

6 MR. GALARDI: For the record, Gregg Galardi, from  
7 Ropes & Gray, on behalf of the Gawker Debtors. There are  
8 three separate matters on the agenda. First is this overall  
9 status conference with the case, and then there is a request  
10 for status conference on the Johnson matter, and there is  
11 the Levine fee application.

12 Let me go through the status conference. Your  
13 Honor, as you know, we confirmed in December, and we went  
14 effective, I think it was, in March of this year, there were  
15 reserves set up -- until we get to the Johnson matter, there  
16 were reserves set up in various claims. And the  
17 distributions were made to Hungary, and Hungary then made  
18 distributions to GMGI.

19 With respect to the distributions, there were two  
20 tax claims, or potential tax claims out there, one with  
21 respect -- we had filed an objection with respect to the  
22 IRS's claim for about \$1.5 million or so for 2014 and 2015.  
23 My understanding is those are now resolved. We hope to  
24 submit a stipulation, and we will be paying \$10,000 penalty,  
25 but that reserve will ultimately be released. Your Honor,

1 one of the reasons that we want to confirm in 2016, in  
2 December, was to file an estimated tax return for 2016, then  
3 set a timeframe under 505 for the IRS to respond, we're  
4 working with the IRS, and I expect that to be resolved  
5 within the 180-day period. And again, we set up a reserve,  
6 the IRS has given us an estimate, but we think we'll work it  
7 down, and there won't be any liability, or it will be  
8 minimum.

9 Your Honor, we sold all of the assets, or  
10 substantially all the assets a year ago. The one asset that  
11 was left outstanding was the actual Gawker.com website.  
12 That was subject to an agreement with Univision. That  
13 agreement provided, I think it was about 18 months that we  
14 could not advertise or do things with it. We're at about 12  
15 months now, so we are beginning to look into investment  
16 bankers for selling the Gawker.com, and I hope that process  
17 gets underway. It may go to 2018, but we're not sure yet.

18 Your Honor entered an order just recently with  
19 regard to our request to take a 2004 exam of Mr. Peter  
20 Thiel. I have revised discovery request. Unfortunately,  
21 Mr. Clark and I have met to meet and confer about the  
22 discovery request, if that process is underway, to proceed  
23 with that.

24 The next step in Hungary, Your Honor, Gawker  
25 Hungary needs to be dissolved. We are working on that

1 disillusion, so that we can then make the next stage of the  
2 distributions. That requires an audit, and it's my  
3 understanding that the audit will be done in the next month,  
4 I believe.

5 Which brings us to the outstanding matter still  
6 with the estate level, other than the sale of Gawker.com.  
7 You have on your docket today the final fee application of  
8 the Levine Sullivan firm. Your Honor, unfortunately we  
9 weren't able to finish the documentation, so I'm going to  
10 ask for an adjournment to August 15th, to get an idea of  
11 what has been pending on that. As Your Honor may recall,  
12 Levine was the counsel not only to the Debtors, but also  
13 counsel at various points to AJ Daulerio, and also counsel  
14 in the Terrill and Ayyadurai matters.

15 We have resolved, on a financial basis, the fees  
16 with respect to Levine. But they also had many documents in  
17 the Terrill mater, in the Bollea matter. And in order for  
18 the Debtor to comply with the obligations, and also the  
19 various individuals to comply with the obligations, there  
20 had to be a destruction, or a return of content. Levine is  
21 working on that; there are protocols. Bollea's counsel, I  
22 think, is here -- Bollea's counsel is here today. And I  
23 think we're pretty much resolved with that. But we've  
24 decided not to go forward today without final documentation.  
25 Mr. Carter represents Ms. Terrill, and we are going forward

1 with the protocol with him; there was a couple comments last  
2 night.

3 So the actual fee application itself, there are no  
4 objections, but we didn't want to have an order with the  
5 final fee application, when we have various other issues  
6 that could still go wrong. So that, I'm asking for an  
7 adjournment with respect to the Levine. Our next hearing  
8 date is August 15th.

9 THE COURT: Does anybody oppose the request for an  
10 adjournment?

11 MR. TABAK: Your Honor, Dan Tabak, on behalf of  
12 Mr. Bollea. We don't oppose the request for an adjournment.  
13 We do have a couple of modest requests. Under our  
14 settlement agreement, we are entitled to request information  
15 regarding the third-party claim process, which includes the  
16 potential claims against Levine Sullivan. We have requested  
17 what we think is very reasonable information. We've  
18 requested the amount of the fees that Levine Sullivan plans  
19 to waive, broken down by the categories of the different --  
20 the entitlements to the fees. We've been told we're not  
21 getting those. And so that's -- that's really our main  
22 request.

23 The other request, we want to see, and we've asked  
24 can be completely redacted to take out any privileged  
25 information, we just want to see retainer agreements with



1 Levine Sullivan, to see what is their entitlement to some of  
2 these fees? So we think that we're entailed to those under  
3 our settlement agreement, we think they're reasonable  
4 requests that the plan administrator should meet.

5 MR. GALARDI: Your Honor, first, he has received  
6 the information on the (indiscernible) --

7 THE COURT: Can you keep your voice up?

8 MR. GALARDI: I'm sorry, Your Honor, he has  
9 received information. We'll give him the more detailed once  
10 all of the numbers are actually finalized, I have no problem  
11 giving him those numbers.

12 With respect to the engagement letters, we don't  
13 have them all. I think counsel for LSKS is on the email.  
14 Again, this goes to a dispute we have. They can certainly  
15 serve us with a request, or an informal document request for  
16 that, but we will take it up at that time. I don't think  
17 it's an objection to the fee application, nor to the  
18 adjournment, so we can take it up before the next hearing.

19 THE COURT: Okay, well, look, if you think you're  
20 entitled to something, and you're not getting it, I guess  
21 you can meet and confer, and if that's not resolved, you can  
22 request a conference, but frankly, I don't know what you're  
23 talking about.

24 MR. TABAK: Sure, I mean, we're just asking to  
25 figure out what's the value that the estate is getting from

1 this --

2 THE COURT: Why don't you discuss it?

3 MR. TABAK: And we'll meet and confer. Thank you,  
4 Your Honor.

5 THE COURT: Thank you.

6 MR. TABAK: All right, thank you.

7 MR. GALARDI: Your Honor, so that moves then to  
8 the Johnson matter, which --

9 THE COURT: Why don't we just adjourn the -- I'll  
10 carry the case conference to that August 15th date also?

11 MR. GALARDI: Thank you, Your Honor. And then the  
12 final matter is that Johnson has requested a status  
13 conference with regard to the matter. My understanding is  
14 we have it pending before Your Honor, our briefs on bodily  
15 injury and personal injury matter.

16 THE COURT: Right. And a decision is forthcoming.

17 MR. GALARDI: Okay. Unless Mr. Johnson's counsel  
18 has some matter to bring to attention, that's all the  
19 matters for today.

20 MR. WOLMAN: Good morning, Your Honor. Jay Wolman  
21 of Randazza Legal Group for Charles Johnson and Got News.  
22 We -- thank you, Your Honor, for letting us know that the  
23 decision is forthcoming. There were two issues in our  
24 request for status conference. One was, how do we handle  
25 what was supposed to be the stage two briefing? And I'm

1 sure Your Honor will let us know whether or not there are  
2 any issues that need to be factually developed, because  
3 there had been a hearing that was continued -- that was  
4 scheduled, but then cancelled without any guidance on that.

5 But the second issue is that the claims reserved,  
6 that was supposed to be as set forth in the plan  
7 confirmation order, a \$1.5 million claim reserve established  
8 as of the effective date, and one of the issues we raised is  
9 what is the status of that? Basically, what are the bona  
10 fides of it, what guarantees are there? How do we determine  
11 that this reserve is funded and will be solvent?

12 THE COURT: Where's the money?

13 MR. GALARDI: Your Honor, it is in a separate  
14 account that is designated, as we said, and we were ordered  
15 to do under the confirmation order, in the United States.  
16 Mr. Holden has that information, we have provided to  
17 Johnson. It is separate -- as I said, we were due in the  
18 confirmation order, we set up a bank account. I think it's  
19 still Silicon Valley Bank.

20 THE COURT: Is that the only money that's in that  
21 particular account?

22 MR. GALARDI: There are separate -- no, there's  
23 money for the IRS, there's money for that. But all of the  
24 monies, as we told Your Honor, we have a level that is  
25 actually designated this this is for this person, this is

1 for person. So we specifically, as we did in the  
2 confirmation order, said that that's it, no one touches that  
3 unless it's getting released for the claims and the reserves  
4 and we're agreed to.

5 THE COURT: So what more information do you need -  
6 -

7 MR. WOLMAN: Well, I actually hadn't received any  
8 of that information.

9 THE COURT: Okay, well. Okay.

10 MR. WOLMAN: So it's at Silicon Valley Bank?

11 MR. GALARDI: We can give you the specific name  
12 and account afterwards.

13 THE COURT: All right.

14 MR. WOLMAN: But it's all in one, all the reserves  
15 are in a single account?

16 MR. GALARDI: Yes, as we advised you.

17 THE COURT: With respect to the first issue, the  
18 stage two issues, why don't you wait until the decision is  
19 issued, and then we can come back and talk about the stage  
20 two issues.

21 MR. WOLMAN: Thank you, Your Honor.

22 THE COURT: All right, thanks.

23 MR. GALARDI: Thank you, Your Honor.

24 (Whereupon these proceedings were concluded at  
25 10:19 AM)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

RULINGS

Page Line

Levine Fee Application Adjourned 10 9

Case Conference Adjourned 10 9

C E R T I F I C A T I O N

I, Sonya Ledanski Hyde, certified that the foregoing  
transcript is a true and accurate record of the proceedings.

Sonya Ledanski  
Hyde

Digitally signed by Sonya Ledanski Hyde  
DN: cn=Sonya Ledanski Hyde, o=Veritext,  
ou, email=digital@veritext.com, c=US  
Date: 2017.07.26 13:40:50 -04'00'

Sonya Ledanski Hyde

Veritext Legal Solutions

330 Old Country Road

Suite 300

Mineola, NY 11501

Date: July 26, 2017